

Manufacturers' Inventory and Sales Expectations, First Half 1971

MANUFACTURERS plan no net change in inventories in the first quarter but expect a substantial addition in the second, larger than that in any quarter of last year. They project a sizable sales rise this quarter, more than offsetting the decline—partly related to the auto strike—in the fourth quarter of 1970. A more moderate rise is expected in the second quarter. These expectations, which imply a lower stock/sales ratio in the first half of 1971 than last year, were reported in February in OBE's quarterly Inventory and Sales Expectations Survey.

Manufacturers reported further improvement in the condition of their inventories. Both the percentage of stocks held by companies that judged their inventories "high" and the amount of excess inventories declined after mid-1970, following increases during the previous 1½ years.

Inventory additions

Manufacturers' inventories are expected to show no net change from December 31 to March 31, but to rise \$1.3 billion by June 30. Durable goods producers plan to cut inventories about \$200 million in the first quarter, while nondurable goods producers plan an increase of a similar amount. Last year's quarterly additions averaged \$500 million for durables and \$400 million for nondurables. Sizable additions are expected in the second quarter—\$800 million for durables and \$500 million for nondurables.

Durable goods producers' expected midyear holdings would equal 2.07 months of sales at the average pace expected in the second quarter. Nondurable goods inventories would be 1.30 months of sales. The projected stock-sales ratio for durables is below that

of any quarter of 1970; the nondurables ratio is not very different from last year's ratios.

Sales expectations

Durable goods producers expect sales to rise 6 percent in the first quarter, to about offset the decline in the strike-affected fourth quarter. Although the size of the swing reflects the auto strike and its aftermath, most durable goods industries expect higher sales this quarter. For the second quarter, durable goods producers expect a 2½ percent sales rise.

Nondurable goods producers expect sales gains of about 3 percent this quarter and 2 percent in the second, advances larger than those experienced in 1970.

Inventory condition

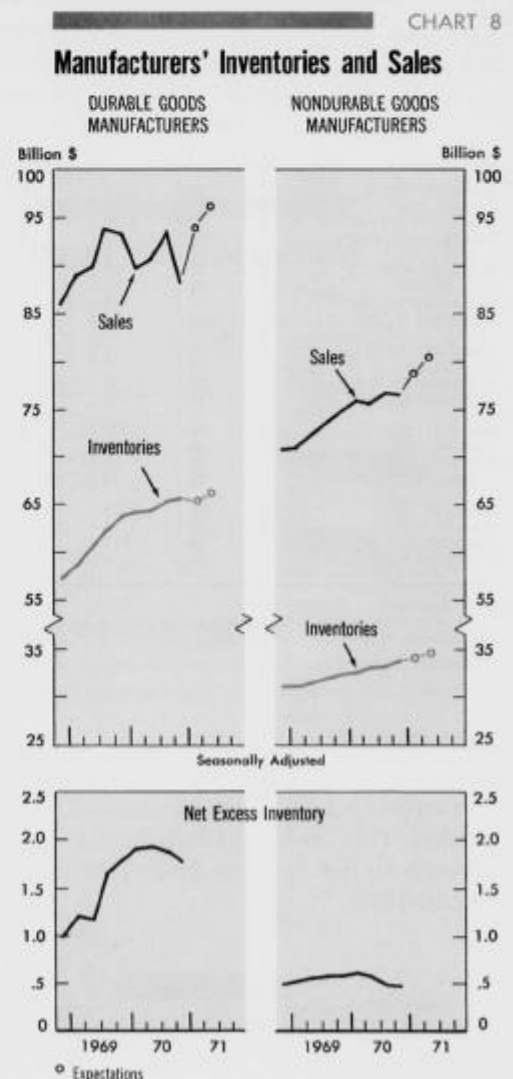
Firms holding 21 percent of manufacturers' stocks judged their inventories at December 31 as "high" relative to unfilled orders and prospective sales; this proportion is well below the recent peak of 24 percent at June 30, 1970. The "high" proportion for durable goods producers fell from 28 percent on June 30 to 25 percent on September 30 and 23 percent on December 31. The year-end figure was the lowest in six quarters. The "high" ratio for nondurable goods producers was 16 percent on September 30 and December 31—down 1 percentage point from June 30 and 3 points from the recent peak of 19 percent on March 31.

The "about right" ratio was 76 percent for durables and 83 percent for nondurables on December 31; the "low" was 1 percent for both.

Inventory imbalance

Manufacturers reported \$2¼ billion of inventories in excess of needs on

December 31 (netting excesses of companies with "high" stocks against deficiencies of companies with "low" stocks), a decrease of \$¼ billion from midyear. The durable goods producers' net excess on December 31 was \$1.8 billion, or 2.7 percent of total durables stocks, compared with \$1.9 billion, or 2.9 percent, on June 30. The net excess held by nondurable goods producers fell



U.S. Department of Commerce, Office of Business Economics

71-3-1

Table 1.—Manufacturers' Inventories and Sales: Actual and Expected¹
(Billions of dollars)

	1968				1969				1970				1971	
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I ²	II ²
Inventories, end of quarter:														
Unadjusted:														
All manufacturing.....	84.3	85.8	86.4	88.2	90.0	92.5	93.4	95.5	97.5	98.1	97.8	99.3	100.2	101.2
Durables.....	54.0	55.5	56.1	57.0	59.3	60.9	61.6	63.1	64.6	64.8	64.8	65.3	65.7	66.5
Nondurables.....	29.7	30.0	30.3	31.2	31.0	31.4	31.8	32.4	32.9	33.3	33.0	34.0	34.5	34.8
Seasonally adjusted:														
All manufacturing.....	83.8	85.0	87.1	88.0	90.4	92.2	94.2	95.0	97.0	97.7	98.7	99.1	100.7	101.0
Durables.....	54.8	55.5	56.5	57.4	59.0	60.3	62.1	62.6	64.8	64.4	65.3	65.8	66.4	66.2
Nondurables.....	29.5	30.1	30.6	31.2	31.4	31.7	32.1	32.4	32.7	33.3	33.3	34.1	34.3	34.8
Sales, total for quarter:														
Unadjusted:														
All manufacturing.....	144.0	153.0	148.7	157.1	159.1	166.0	162.2	168.5	165.1	171.3	165.4	164.8	173.4	171.5
Durables.....	90.5	95.9	79.1	90.4	93.1	93.7	93.6	93.7	93.1	94.8	93.0	92.9	93.6	92.0
Nondurables.....	54.4	56.1	69.6	70.7	70.0	73.2	73.7	74.8	73.1	76.7	73.8	70.9	79.8	79.5
Seasonally adjusted:														
All manufacturing.....	145.4	148.0	152.0	156.6	160.0	162.3	167.4	168.1	166.0	168.6	170.2	164.8	172.7	171.5
Durables.....	92.3	93.2	93.1	95.9	96.9	96.9	96.7	96.3	96.0	96.8	96.4	95.2	95.8	95.1
Nondurables.....	53.1	54.8	58.9	70.7	70.5	73.5	73.7	74.8	75.9	73.8	73.7	70.4	78.9	80.4

1. All actual data have been adjusted to conform with the recent revision by the Bureau of the Census (Report M3-1.2).
2. Expectations reported by manufacturers in February 1971. Inventory expectations have been corrected for systematic biases.

Sources: U.S. Department of Commerce, Expectations, Office of Business Economics; actuals, Bureau of the Census.

Table 2.—Manufacturers' Evaluation of the Condition of Their Inventories¹
(Percentage distribution)

	Total			Durables			Nondurables		
	High	About right	Low	High	About right	Low	High	About right	Low
March 31, 1966.....	16	81	4	18	70	3	18	80	3
June 30, 1966.....	15	78	4	21	75	4	13	83	4
September 30, 1966.....	22	76	3	27	70	3	14	85	3
December 31, 1966.....	25	70	2	33	66	2	19	70	3
March 31, 1967.....	31	68	1	37	62	1	20	78	2
June 30, 1967.....	31	67	3	30	63	1	20	70	4
September 30, 1967.....	27	69	4	34	63	3	15	81	4
December 31, 1967.....	25	72	3	31	67	2	15	81	4
March 31, 1968.....	26	72	3	31	66	3	15	82	3
June 30, 1968.....	25	73	3	31	67	2	16	80	4
September 30, 1968.....	24	73	3	28	70	2	10	79	5
December 31, 1968.....	18	80	2	10	70	2	10	82	2
March 31, 1969.....	20	78	2	21	77	2	17	82	1
June 30, 1969.....	21	77	2	22	76	2	18	80	2
September 30, 1969.....	23	70	1	26	73	1	17	82	1
December 31, 1969.....	23	70	1	25	72	2	18	81	1
March 31, 1970.....	24	75	1	27	72	3	10	80	1
June 30, 1970.....	24	75	1	28	71	1	17	81	2
September 30, 1970.....	22	77	1	25	74	1	18	82	2
December 31, 1970.....	21	78	1	23	70	1	10	82	1

¹ Revised.

1. Condition of actual inventories relative to sales and unfilled orders position as viewed by reporting companies. Percent distribution of inventory book values according to companies' classifications of their inventory condition.

NOTE: Due to change in survey questionnaire, data starting December 31, 1966, are not strictly comparable to prior data.

Sources: U.S. Department of Commerce, Office of Business Economics.

from \$0.6 billion to \$0.5 billion in the same period. The December 31 excess was equal to 1.4 percent of nondurables stocks; this ratio had held at 1.7 percent to 1.8 percent from mid-1969 to mid-1970.

Firms reporting "high" inventories on December 31 estimated their excess to be about 11 percent of their holdings; firms with "low" inventories estimated their deficiency as equal to 13 percent of their holdings.

Table 3.—Inventory Imbalance

	Inventory excess	Inventory deficiency	Not excess	
			Amount	Percent of total inventories
			(Billions of dollars)	
All manufacturers:				
Dec. 31, 1968.....	1.73	0.25	1.48	1.7
Mar. 31, 1969.....	1.87	.16	1.71	1.9
June 30, 1969.....	1.98	.34	1.72	1.9
Sept. 30, 1969.....	2.38	.15	2.23	2.4
Dec. 31, 1969.....	2.60	.16	2.44	2.5
Mar. 31, 1970.....	2.58	.10	2.48	2.5
June 30, 1970.....	2.62	.15	2.47	2.5
Sept. 30, 1970.....	2.48	.11	2.37	2.4
Dec. 31, 1970.....	2.29	.13	2.26	2.3
Durable goods:				
Dec. 31, 1968.....	1.19	.30	.89	1.7
Mar. 31, 1969.....	1.31	.13	1.18	2.0
June 30, 1969.....	1.35	.16	1.19	1.8
Sept. 30, 1969.....	1.75	.11	1.64	2.7
Dec. 31, 1969.....	1.91	.12	1.79	2.8
Mar. 31, 1970.....	1.97	.08	1.89	2.9
June 30, 1970.....	2.00	.10	1.90	2.9
Sept. 30, 1970.....	1.94	.07	1.87	2.9
Dec. 31, 1970.....	1.83	.06	1.77	2.7
Nondurable goods:				
Dec. 31, 1968.....	.54	.05	.49	1.6
Mar. 31, 1969.....	.56	.04	.52	1.6
June 30, 1969.....	.61	.06	.55	1.7
Sept. 30, 1969.....	.61	.04	.57	1.8
Dec. 31, 1969.....	.63	.03	.60	1.7
Mar. 31, 1970.....	.61	.01	.60	1.8
June 30, 1970.....	.62	.05	.57	1.7
Sept. 30, 1970.....	.54	.04	.50	1.5
Dec. 31, 1970.....	.54	.07	.47	1.4

¹ Revised.

Sources: U.S. Department of Commerce, Office of Business Economics.